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SUBJECT: Mexico Economic Weekly - April 3

¶11. (U) The Mexico Economic Weekly supplements reporting from Mission Mexico Consulates and the Embassy Mexico Economic Section to provide a sense of ongoing trends. Please contact Adam Shub (shubam@state.gov) or Jonathan Austin (austinjt@state.gov) for questions or comments about this report.

¶12. (U) Table of Contents:

ECONOMY AND FINANCE:

UNEMPLOYED NOT RECEIVING EXPECTED ASSISTANCE - Matamoros
BAJA CALIFORNIA OPTIMISTIC ABOUT ECONOMIC RECOVERY - Tijuana
SALES SURPASS OF USD4.5 BILLION AT AGROBAJA 2009 - Tijuana
WORK STOPPAGES TO BEGIN AT HONDA'S MEXICO PLANT - Guadalajara
GRUMA SALES UP DESPITE RECESSION - Monterrey

TRADE AND INVESTMENT:

CANACAR VP: CROSS-BORDER PROGRAM DISPUTE A "NON-ISSUE" FOR MEXICAN BORDER TRUCKERS - Ciudad Juarez
RETALIATION'S IMPACT AT THE BORDER - Tijuana
BAJA CALIFORNIA HIGHLIGHTS ADVANTAGES OF STATE TO SPANISH ENTREPRENEURS - Tijuana
STRIKE CRISIS AND INSECURITY FOR CUSTOMS BROKERS - Tijuana
NUEVO LEON CLOSE TO LANDING KEY FOREIGN DIRECT INVESTMENT - Monterrey

TRANSPORTATION AND INFRASTRUCTURE:

CANACAR BRIDGE BLOCKADES CANCELLED - Matamoros
CARRIER STRIKE IN TIJUANA-MEXICALI - Tijuana

ECONOMY AND FINANCE:

13. (U) UNEMPLOYED NOT RECEIVING EXPECTED ASSISTANCE: According the Secretary of Economic Development and Employment for the State of Tamaulipas, Alfredo Gonzalez, "The Mexican Federal Government promised support for the unemployed but so far in Tamaulipas only 8,000 jobless people are actually getting it." By Gonzalez' count, this accounts for only eight percent of those currently unemployed in the state. (Matamoros)

14. (U) BAJA CALIFORNIA OPTIMISTIC ABOUT ECONOMIC RECOVERY: According to a survey developed by the Instituto Nacional de Estadistica, Geografica e Informatica (INEGI), an estimated four thousand jobs were lost during the first quarter of 2009. The Secretary of Labor and Social Welfare said that the economic crisis is abating in Baja California, and that announcements of new investments have generated optimism that the state's economy will improve in the second quarter. (Tijuana)

15. (U) SALES SURPASS USD4.5 BILLION AT AGROGROBAJA 2009: AgroBaja 2009 will be remembered as one of Mexico's largest exhibitions of agriculture- and fisheries-related products and services. Last week's exhibition at kilometer 7.5 of the Mexicali-San Felipe road brought together producers and suppliers from Mexico and the United States interested in agriculture, aquaculture, livestock and fisheries. Producers from several states participated in the non-traditional pavilions promoted by SEGARPA. Sales at the exhibition surpassed USD4.5 million. (Tijuana)

16. (U) WORK STOPPAGES TO BEGIN AT HONDA'S MEXICO PLANT: Unable to avoid the fate of the other auto manufacturers in the country, Honda announced that it would begin work stoppages for the first time in the plant's history. Starting May 16, Honda will close the doors of

MEXICO 00000973 002 OF 003

its plant just south of Guadalajara to all of its 1,800 manufacturing employees for 13 days over a period lasting until September. The stoppages will cut the assembly of its CR-V model by 2,000 units, or 4% of its annual production. Sales in the first two months of 2009 from the plant fell about 28% on last year due to a drop in sales in the US, destination of 40% of the plant's production. (Guadalajara)

17. (SBU) GRUMA SALES UP DESPITE RECESSION: First quarter sales of large Monterrey companies are expected to be down sharply due to falling exports to the United States. However, milling and tortilla company Gruma is weathering the recession well, according to a Roberto Gonzalez Alcala, Director General of Gruma Mexico. In a March 30 meeting, Gonzalez told Consulate General Monterrey that notwithstanding the economic recession, Gruma was in reasonable shape. Like CEMEX, Alfa, and Vitro, the company had suffered losses in the derivatives market but had been able to restructure its obligations with its creditor banks into long-term debt. As half of Gruma's revenues came from its 18 tortilla and 5 milling plants in the U.S., the recent devaluation of the peso had not hurt the company. Meanwhile, sales in Mexico were up nearly 7 percent, a pleasant surprise given that Gruma operates in a fairly mature market. (Monterrey)

TRADE AND INVESTMENT:

18. (U) CANACAR VP: CROSS-BORDER PROGRAM DISPUTE A "NON-ISSUE" FOR MEXICAN BORDER TRUCKERS: The recent cancellation of the US/Mexico Cross-Border Trucking Demonstration Project has led to charges of protectionism by the GOM and retaliatory tariffs ranging from 10 to 45 percent levied on 89 U.S. exports. Until Congress zeroed out funding for the project in the FY 2009 Omnibus Appropriations Act, the program had authorized up to 100 Mexican trucking companies access to US highways beyond the 25-mile U.S. border commercial zone. According to Manuel Sotelo, Vice President of CANACAR (Mexico's National Trucking Chamber Union) for the Northwest zone, the cancellation of the Demonstration Project is of little consequence to Mexican truckers. Sotelo asserted that "none of the 7,000 truckers affiliated with CANACAR participated in the pilot

program because of the high investment required to bring trucks and drivers to US standards, as well as the disproportionate scrutiny from US law enforcement on Mexican trucks in the US." He claimed that "even if the sector were completely liberalized, Mexican truckers would not want to operate in the US." Sotelo cited low subscription rates in the pilot program -- e.g., 26 trucking companies from Mexico -- to support his point. For its part, the Juarez Chapter of the National Chamber of Commerce (CANACO) is complaining about the GoM's decision to impose retaliatory tariffs on US exports, claiming the tariffs create distortions and reduce the welfare of consumers in Juarez. CANACO-Juarez President Daniel Murguia Lardizabal commented to local press that as prices rise on imports, Mexican consumers will most likely increase their purchases of these products in El Paso. (Ciudad Juarez)

¶19. (U) RETALIATION'S IMPACT AT THE BORDER: In March, COLEF economic researcher Alejandro Diaz Bautista said that the economic impact of Mexico's commercial reprisals against the U.S. will not only damage exporters and importers, but also will stick the end consumer north of the border, with increasing costs for a number of products. (Tijuana)

¶10. (U) BAJA CALIFORNIA HIGHLIGHTS ADVANTAGE OF STATE TO SPANISH ENTREPRENEURS: Governor Osuna Millan was received by Club Yeccan, a group of Spanish businessmen with interests in Mexico. The Governor outlined the political, economic and social development of Baja California, showcasing the state's big infrastructure projects, such as Punta Colonet. Thirty Spanish businessmen, researchers, and reporters attended the event. Many noted their surprise at the quality of services and infrastructure that Baja California offers. (Tijuana)

¶11. (U) STRIKE CRISIS AND INSECURITY FOR CUSTOMS BROKERS: Pedro Garcia Hernandez, president of the Confederation of Associations of Customs Agents, commented in Ensenada that the flow of imports and exports has fallen by almost fifty percent because of the economic crisis and public security problems in Baja California. The customs agencies have sought ways to maintain economic activity to avoid layoffs and cutbacks in work hours of customs brokers. (Tijuana)

MEXICO 00000973 003 OF 003

¶12. (SBU) NUEVO LEON CLOSE TO LANDING KEY FOREIGN DIRECT INVESTMENT: Nuevo Leon and its Secretary of Economic Development have been working hard to win foreign direct investment in high value added fields, especially in renewable energy and aerospace. Nuevo Leon is currently contending for a USD700 million renewable energy investment from American company First Solar. First Solar has already decided on Monterrey if they chose Mexico for their next free field solar project; Monterrey and a site in Malaysia are competing in the final rounds of the decision process. Spirit Aerospace, a first tier supplier for Boeing Corporation, is also considering a substantial investment in the area. Spirit is looking to build a new plant in Nuevo Leon Chihuahua, Coahuila or Queretaro. (Monterrey)

TRANSPORTATION AND INFRASTRUCTURE:

¶13. (U) CANACAR BRIDGE BLOCKADES CANCELLED: Cross-border shippers, especially maquiladora managers, breathed sighs of relief on Saturday, March 21, when a two-day blockade of border crossings (planned for March 23-24) by transportation union CANACAR was called off. The blockade, announced by the union weeks ago, had been a tense subject among manufacturers and labor unions, as the flow of commercial traffic across international bridges is critical for both manufacturing supplies and finished-goods deliveries that keep thousands of people working in northern Mexico. According to Roberto Mattus, director of the Matamoros Maquiladora Association, the blockade could have cost regional manufacturers many days in manufacturing delays, work stoppages, and millions of dollars in lost revenues. (Matamoros)

¶14. (U) CARRIER STRIKE IN TIJUANA-MEXICALI: Affiliates to the

National Confederation of Mexican Carriers (CONATRAM) remain on strike, with nearly 300 units stationed in kilometer 20 of the Tijuana-Mexicali corridor. The demands of the transportation sector are to reduce and stabilize the price of diesel at 5.50 pesos a liter, improve road safety, lower cost of tolls and suspend payment of the Single Rate Business Tax (IETU). Carriers are pending a response from the federal authority on their requests. (Tijuana)

BASSETT